



April 2023

# GRANTS MANAGEMENT

## Actions Needed to Improve Agency Reporting of Expired Grants

# GAO Highlights

Highlights of [GAO-23-105700](#), a report to congressional requesters

## Why GAO Did This Study

In FY 2021, federal agencies awarded more than \$1.2 trillion in grants to state and local governments. GAO has previously reported on significant amounts of undisbursed balances from expired grants—grants that agencies have not closed out on time. To help improve financial accountability over grant programs, various laws and directives have required federal agencies to report undisbursed balances from expired grants.

GAO was asked to update its prior work on grant closeout. Among other things, this report examines the extent to which selected agencies met reporting requirements for expired grants for FYs 2017 through 2021.

GAO selected five agencies—Commerce, HHS, DOJ, NASA, and NSF—based on criteria such as whether they were required to report under their appropriations act and the total dollars awarded to state and local governments. The grants awarded by these five agencies comprised about 51 percent of total awards in FY 2021. GAO reviewed legislation and agency documentation, and interviewed officials from the five agencies. GAO also reviewed OMB documentation and interviewed OMB staff.

## What GAO Recommends

GAO is making three recommendations, including two to OMB to clarify its instructions for reporting on undisbursed balances, and one to DOJ to resume required reporting of expired grants with undisbursed balances. OMB neither agreed nor disagreed with the recommendations. DOJ agreed with the recommendation.

View [GAO-23-105700](#). For more information, contact Jeff Arkin at (202) 512-6806 or [arkinj@gao.gov](mailto:arkinj@gao.gov).

April 2023

## GRANTS MANAGEMENT

### Actions Needed to Improve Agency Reporting of Expired Grants

#### What GAO Found

Federal agencies that award grants must close out the grants—ensuring that all applicable administrative actions and all required work of the grant have been completed—within an allotted time frame, generally 1 year after the grant ends. Generally, until the grants are closed out, any undisbursed balance remains in the grant award and cannot be repurposed or canceled and returned to the Department of the Treasury.

The agencies in GAO's review fully met some requirements on expired grants but not others. Specifically, the Office of Management and Budget's (OMB) Circular A-136 requires federal agencies government-wide to report on expired grants with undisbursed balances annually. GAO found that all five of the selected agencies in its review—the Departments of Commerce, Health and Human Services (HHS), and Justice (DOJ); the National Aeronautics and Space Administration (NASA); and the National Science Foundation (NSF)—fully met applicable OMB Circular A-136 reporting requirements.

In addition, the Commerce, Justice, Science, and Related Agencies Appropriations Act (Section 530 requirements) requires affected federal agencies—including Commerce, Justice, NASA, and NSF—to report on expired grants with undisbursed balances annually. GAO found various instances where some agencies did not fully meet the reporting requirements because some aspects of OMB's guidance on the reporting requirements were unclear.

For example, Section 530 requires agencies to report on expired grants for the "preceding 3 fiscal years." Although OMB staff told GAO that agencies' annual reports should include the most recent fiscal year that ended in the year of the reports, OMB's guidance does not define the term "preceding." As a result, NASA's fiscal year (FY) 2021 report included data on expired grants from FYs 2018 through 2020, rather than from 2019 through 2021. Without OMB providing additional clarification about the Section 530 reporting requirements, agencies could continue reporting inaccurately.

Additionally, Section 530 requires agencies to report on the amount of undisbursed balances that may be returned to the Treasury. However, OMB's guidance instructs agencies to report on their process for identifying these balances rather than the amounts themselves. GAO found that only NASA complied with this Section 530 requirement. Commerce, DOJ, and NSF reported their process to identify undisbursed balances—consistent with OMB's guidance—but did not report the amount of undisbursed balances, as directed by Section 530. By providing revised guidance or instructions, OMB would help increase transparency for Congress and others of the amount of undisbursed balances that may be returned to the Treasury.

GAO also found that DOJ stopped explicitly reporting Section 530 information starting in FY 2019. DOJ interpreted OMB Circular A-136 as OMB's instructions for complying with both government-wide and Section 530 requirements. OMB staff confirmed that the two requirements are different. By not reporting this information, DOJ is providing incomplete information to Congress and the public.

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## Abbreviations

AFR	Agency Financial Report
Commerce	Department of Commerce
DOJ	Department of Justice
FY	fiscal year
GONE Act	Grants Oversight and New Efficiency Act
HHS	Department of Health and Human Services
NASA	National Aeronautics and Space Administration
NSF	National Science Foundation
OIG	Office of the Inspector General
OMB	Office of Management and Budget
PAR	Performance and Accountability Report
Section 530 requirements	various years of The Commerce, Justice, Science, and Related Agencies Appropriations Act
Treasury	Department of the Treasury
Uniform Guidance	<i>Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards</i>

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April 13, 2023

The Honorable James Comer  
Chairman  
The Honorable Jamie Raskin  
Ranking Member  
Committee on Oversight and Accountability  
House of Representatives

The Honorable Gerald E. Connolly  
House of Representatives

The Honorable Virginia Foxx  
House of Representatives

Grants are an important tool that the federal government uses to achieve diverse national objectives for the American people through nonfederal entities—including state and local governments, educational institutions, and nonprofit organizations. In fiscal year (FY) 2021, federal agencies obligated more than \$1.2 trillion in grants to state and local governments.<sup>1</sup> This amount represented approximately 18 percent of all federal spending in FY 2021.

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<sup>1</sup>A large portion of grant funding in FY 2021 was to support the nation's response to the COVID-19 pandemic through the American Rescue Plan, the CARES Act, and other COVID-19 funding. For example, FY 2021 included COVID-19-related advances of \$254 billion, primarily as a result of aid to tribal, state, local, and territorial governments and Medicare providers. See GAO, *Financial Audit: FY 2021 and FY 2020 Consolidated Financial Statements of the U.S. Government*, [GAO-22-105122](#) (Washington, D.C.: Feb. 17, 2022). For the purposes of this report, we refer to grants and cooperative agreements as grants.

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We have previously reported on significant amounts of undisbursed balances from expired grants.<sup>2</sup> For example, in 2016 we reported that there were approximately \$1 billion in undisbursed balances from expired grants at the end of FY 2015.<sup>3</sup>

The existence of undisbursed balances can hinder the achievement of national objectives by preventing the allocation of scarce resources to address other needs. Accordingly, grant closeout is an important final point of accountability and necessary for the effective management of expired grants. We previously stated that tracking undisbursed balances from expired grants could raise the visibility of this long-standing issue.<sup>4</sup>

You asked us to update our previous work on grant closeout issues.<sup>5</sup> This report examines: (1) the extent to which selected agencies met reporting requirements for expired grants for FYs 2017 through 2021; and (2) risks of selected agencies' grant closeout processes, as identified by their inspectors general, and how agencies are addressing those risks.

For the first objective, we reviewed legislation and Office of Management and Budget (OMB) grant guidance related to agency reporting of expired grants with undisbursed and zero dollar balances. Specifically, we reviewed the Grants Oversight and New Efficiency (GONE) Act; sections of relevant years of the Commerce, Justice, Science, and Related

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<sup>2</sup>For the purposes of this report, we define expired grants as awards that have not been closed out within the allotted time—generally within 1 year of the period of performance end date. In prior reports, we analyzed data from the payment management system, which defined expired grants as awards at least 3 months past the period of performance end date and at least 9 months since the last disbursement. GAO, *Grants Management: Actions Needed to Address Persistent Grant Closeout Timeliness and Undisbursed Balance Issues*, [GAO-16-362](#) (Washington, D.C.: Apr. 14, 2016); *Grants Management: Action Needed to Improve the Timeliness of Grant Closeouts by Federal Agencies*, [GAO-12-360](#) (Washington, D.C.: Apr. 16, 2012); and *Grants Management: Attention Needed to Address Undisbursed Balances in Expired Grant Accounts*, [GAO-08-432](#) (Washington, D.C.: Aug. 29, 2008).

<sup>3</sup>[GAO-16-362](#).

<sup>4</sup>[GAO-08-432](#).

<sup>5</sup>Closeout is the process by which the awarding agency (1) determines that all applicable administrative actions and all required work of the award have been completed, and (2) takes certain required actions. See 2 C.F.R. § 200.344.

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Agencies Appropriations Act; and OMB Circular No. A-136, *Financial Reporting Requirements*, for FYs 2017 through 2021.<sup>6</sup>

We also reviewed OMB guidance related to the reporting requirements, such as a 2016 OMB memorandum to agencies that award grants and cooperative agreements to nonfederal entities related to GONE Act reporting of expired grants. In addition, we reviewed three OMB memorandums issued in 2010, 2011, and 2016 to agencies receiving funding under the Commerce, Justice, Science, and Related Agencies Appropriations Act related to tracking undisbursed balances from expired grants, and the related Consolidated Appropriations Acts from 2010 through 2023.<sup>7</sup>

We also reviewed relevant OMB regulations and guidance on broader aspects of grant management. These included the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and OMB Circular No. A-11, *Preparation, Submission, and Execution of the Budget*. We interviewed OMB staff who developed government-wide guidance for grant management and grant closeout.

We selected five agencies—the Departments of Commerce, Health and Human Services (HHS), and Justice (DOJ); the National Aeronautics and Space Administration (NASA); and the National Science Foundation

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<sup>6</sup>For the purposes of this report, we use the term “Section 530 requirements” when referring to reporting requirements—for example, the requirement that covered agencies identify undisbursed balances in expired grant accounts that may be returned to the Treasury—contained in various years of the Commerce, Justice, Science, and Related Agencies Appropriations Act. We use this term, even though such requirements have not always been in Section 530 of each act, to reduce potential confusion since OMB’s most recent guidance from July 2016 refers to such requirements as the “Section 530 requirement.” OMB, *Financial and Performance Reporting on Undisbursed Balances in Expired Grant Accounts*, M-16-18 (Washington, D.C.: July 15, 2016).

<sup>7</sup>Pub. L. No. 111-117, div. B, tit. V, § 537, 123 Stat. 3034, 3158 (2009); Pub. L. No. 112-10, 125 Stat. 38 (2011); Pub. L. No. 112-55, div. B, tit. V, § 536, 125 Stat. 552, 638 (2011); Pub. L. No. 113-6, div. B, tit. V, § 534, 127 Stat. 198, 277 (2013); Pub. L. No. 113-76, div. B, tit. V, § 531, 128 Stat. 5, 84 (2014); Pub. L. No. 113-235, div. B, tit. V, § 531, 128 Stat. 2215 (2014); Pub. L. No. 114-113, div. B, tit. V, § 530, 129 Stat. 2242, 2329 (2015); Pub. L. No. 115-31, div. B, tit. V, § 529, 131 Stat. 135, 226 (2017); Pub. L. No. 115-141, div. B, tit. V, § 528, 132 Stat. 348, 442 (2018); Pub. L. No. 116-6, div. B, tit. V, § 529, 133 Stat. 13, 136 (2019); Pub. L. No. 116-93, div. B, tit. V, § 524, 133 Stat. 2317, 2429 (2019); Pub. L. No. 116-260, div. B, tit. V, § 524, 134 Stat. 1182, 1281 (2020); Pub. L. No. 117-103, div. B, tit. V, § 524, 136 Stat. 49, 149 (2022); and Pub. L. No. 117-328, div. B, tit. V, § 524, 136 Stat. 4459, 4560 (2022).



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(NSF)—for our review. We used criteria, such as the total dollars awarded to state and local governments in FY 2020 and whether they were also required to provide reporting under Section 530 requirements. Specifically, the grants awarded by these five agencies comprised approximately 67 percent of the total awards in FY 2020.<sup>8</sup> In addition, all five agencies are subject to the GONE Act and OMB Circular A-136 reporting requirements. In addition, four of them—Commerce, DOJ, NASA, and NSF—are also subject to reporting requirements under the applicable section of the Commerce, Justice, Science, and Related Agencies Appropriations Act. Results from these agencies should not be generalized to agencies outside of our selection.

We collected and reviewed the selected agencies' Agency Financial Reports for FYs 2017 through 2021. We did this to determine whether and how the agencies reported undisbursed balances from expired grants to meet the various reporting requirements identified in the GONE Act, OMB Circular A-136, and the Commerce, Justice, Science, and Related Agencies Appropriations Act.<sup>9</sup> After the completion of our data collection and analysis, the selected agencies reported their FY 2022 data (see appendix I). We also reviewed documentation from these agencies—such as internal policies and procedures for grants management—and interviewed officials at the selected agencies who manage grants to discuss how they met the various reporting requirements.

For the second objective, we reviewed legislation on reporting requirements for inspectors general of agencies that annually awarded at least \$500 million in grants. We analyzed Office of the Inspector General (OIG) risk assessments for the same five selected agencies described above—Commerce, HHS, DOJ, NASA, and NSF. The assessments included potential findings and recommendations related to how agencies should conduct grant closeout. We also interviewed OIG and agency officials and reviewed documentation to determine actions taken by the selected agencies to address identified grant closeout risks.

We conducted this performance audit from January 2022 to April 2023 in accordance with generally accepted government auditing standards.

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<sup>8</sup>At the time of our agency selection, only FY 2020 data were available for use. However once the data were available, we found that in FY 2021 the grants awarded by these five agencies comprised approximately 51 percent of the total awards.

<sup>9</sup>There was no OMB Circular A-136 requirement for GONE Act reporting in FY 2019 because the statutory requirement had expired.

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Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## Background

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### OMB Guidance on Grant Management

**Grantees**, or recipients, are nonfederal entities that receive awards directly from the federal awarding agency.

**Period of performance** is the total estimated time interval between the start of an initial federal award and the planned end date.

**Closeout** is the process by which the awarding agency or pass-through entity determines that all applicable administrative actions and all required work of the award have been completed and takes certain required actions.

Source: 2 C.F.R. pt. 200. | GAO-23-105700

OMB develops government-wide policies to ensure that grants are managed properly and the grant funds are spent in accordance with applicable laws and regulations. Since December 2013, OMB has provided consolidated guidance on grant management to federal agencies that award grants through the Uniform Guidance to streamline its guidance, promote consistency among grantees, and reduce administrative burden and the risk of waste, fraud, and abuse.<sup>10</sup> Federal agencies must implement its requirements in codified regulations, with deviations allowed only in circumstances in which statutes establish different requirements or where differences are approved by OMB.<sup>11</sup>

As part of an August 2020 update to the Uniform Guidance, OMB implemented changes to support timely grant closeout, improve the accuracy of final closeout reporting, and reduce grantee burden. For example, based on challenges grantees reported facing in collecting grant closeout information and reporting it to agencies in a timely manner, OMB extended the time frame for grantees to submit closeout reports to federal agencies and liquidate all financial obligations from 90 to 120 days.<sup>12</sup>

### Grant Closeout Procedures

The Uniform Guidance establishes closeout procedures that must be completed by both the grantee and the awarding agency (see fig. 1). Generally, within 120 calendar days of the period of performance end date, the grantee must complete its closeout actions.<sup>13</sup> The awarding agency must then make every effort to complete its closeout actions

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<sup>10</sup> 2 C.F.R. pt. 200; 78 Fed. Reg. 78590 (Dec. 26, 2013). The Uniform Guidance supersedes and streamlines requirements from OMB Circulars A-21, A-87, A-110, and A-122 (which have been placed in OMB guidance); Circulars A-89, A-102, and A-133; and the guidance in Circular A-50 on Single Audit Act follow-up.

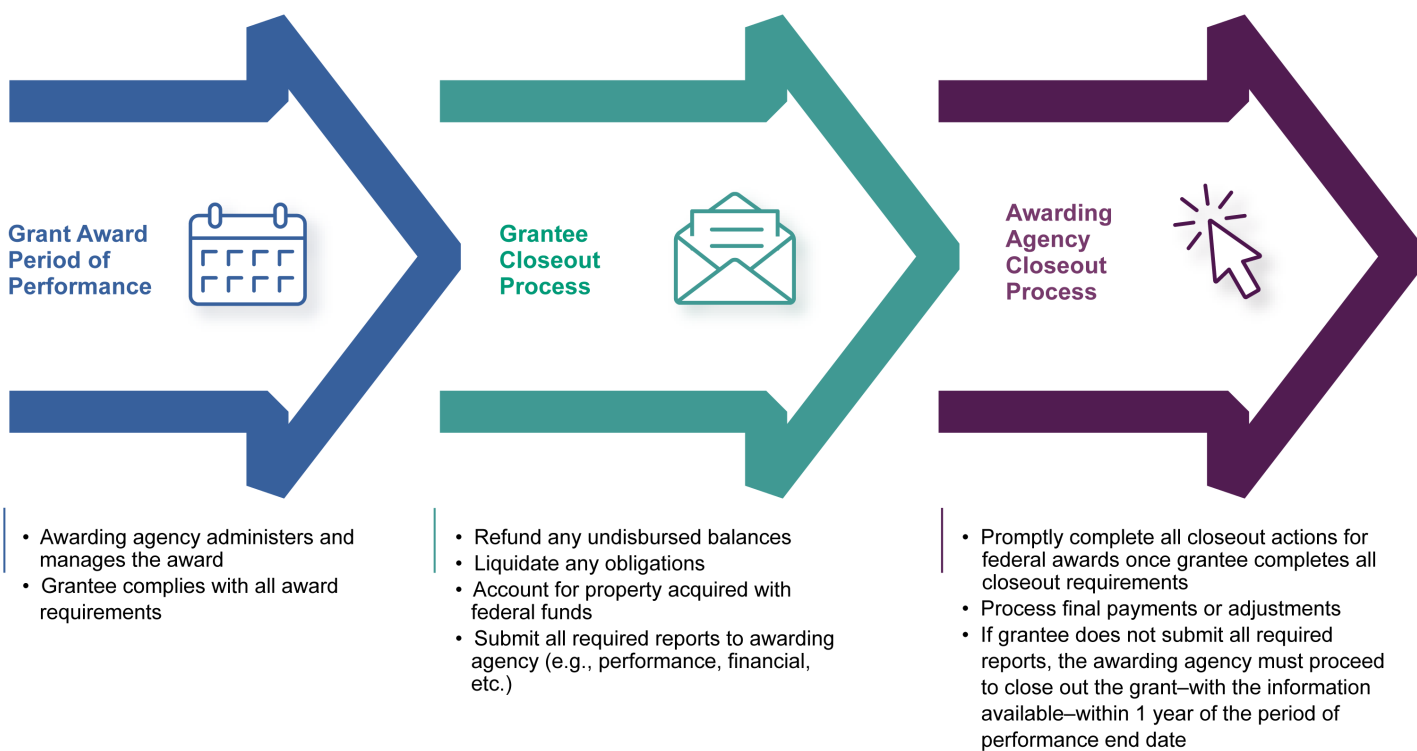
<sup>11</sup> 2 C.F.R. § 200.106.

<sup>12</sup> 2 C.F.R. § 200.344; 85 Fed. Reg. 49506 (Aug. 13, 2020).

<sup>13</sup> The period for closeout may be extended under certain circumstances. 2 C.F.R. § 200.344(a).

within the allotted time—generally within 1 year of the grant’s period of performance end date, unless otherwise directed by authorizing statutes.<sup>14</sup> However, if the grantee has not completed all of its closeout actions, the awarding agency must proceed to close out the grant—with the information available—within 1 year of the period of performance end date.<sup>15</sup>

**Figure 1: Uniform Guidance Timeline for Grant Closeout Actions**



Source: GAO analysis of 2 C.F.R. pt. 200. | GAO-23-105700

Note: Undisbursed balances are obligations not liquidated by the grantee.

<sup>14</sup> 2 C.F.R. § 200.344(g).

<sup>15</sup> 2 C.F.R. § 200.344(h).

## Authority to Resolve Undisbursed Balances after Grant Closeout

**Budget authority** provides permission by law to incur financial obligations that will result in outlays.

**Appropriations** are provisions in law that typically grant budget authority for a specific purpose and time period.

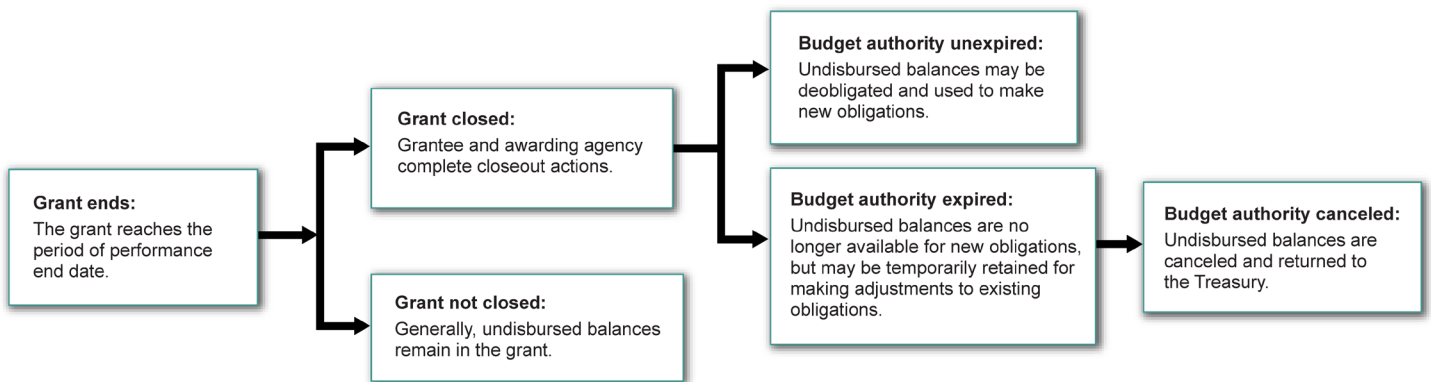
**Obligations** are binding agreements, such as grants, that commit an entity to make payments or disbursements.

**Deobligation** is the cancellation or downward adjustment of previously incurred obligations.

Source: OMB Circular No. A-11. | GAO-23-105700

After grant closeout has been completed, awarding agencies may resolve undisbursed balances in accordance with OMB Circular No. A-11. OMB Circular No. A-11 generally provides guidance and parameters on how undisbursed balances can or cannot be used during different budget authority phases.<sup>16</sup> For example, if the budget authority is in the unexpired phase, the awarding agency may be able to deobligate undisbursed balances from expired grants and make new obligations—such as new grants.<sup>17</sup> This may allow an awarding agency to use existing resources to fund new grant projects. If the budget authority is in the expired phase, the awarding agency cannot make new obligations with undisbursed balances. However, it may still make disbursements for adjustments or other authorized purposes. When the budget authority is in the canceled phase, undisbursed balances are canceled and returned to the Department of the Treasury. Generally, until the grant is closed out, any undisbursed balance remains in the grant. See figure 2.

**Figure 2: Resolving Undisbursed Balances after Grant Closeout**



Source: GAO analysis of 2 C.F.R. pt. 200 and OMB Circular No. A-11. | GAO-23-105700

Note: Undisbursed balances are obligations not liquidated by the grantee.

<sup>16</sup>Budget authority may be classified by its duration. Budget authority can be provided for one or multiple years, while some budget authority remains available for an indefinite period of time. The three phases of budget authority are (1) unexpired, (2) expired, and (3) canceled. *OMB Circular No. A-11, Section 20.4(c)*.

<sup>17</sup>A notable exception to using undisbursed balances for new obligations are balances deobligated from grants made under the American Recovery and Reinvestment Act of 2009, which must be deposited in the general fund of the Treasury. Pub. L. No. 111-203, § 1306, 124 Stat. 2135 (2010).

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## Federal Reporting Requirements for Expired Grants

**Expired grants** are awards for which closeout has not occurred within the allotted time—generally within 1 year of the period of performance end date.

Source: GAO analysis of OMB Circular A-136 and 2 C.F.R. pt. 200. | GAO-23-105700

**Undisbursed balances** are obligations not liquidated by the grantee.

Source: GAO analysis of OMB Memo 2016-04 and 2 C.F.R. pt. 200. | GAO-23-105700

There have been various federal reporting requirements designed to draw attention to the long-standing issue of awarding agencies not closing out grants in a timely manner.<sup>18</sup>

**The Commerce, Justice, Science, and Related Agencies Appropriations Act (Section 530 Requirements).** From FYs 2010 through 2023, various sections of this appropriations act have included reporting requirements on expired grants with undisbursed balances for agencies covered by the act, including Commerce, DOJ, NASA, and NSF.<sup>19</sup> For example, agencies have been required to identify undisbursed balances from expired grants that may be returned to the Treasury (i.e., undisbursed balances with underlying budget authority in the canceled phase) and the total number of expired grants with undisbursed balances for the preceding 3 fiscal years.<sup>20</sup> OMB issued guidance in 2010 and again in 2011 instructing federal agencies on the required reporting elements to include in their Agency Financial Reports (AFR) or Performance and Accountability Reports (PAR).<sup>21</sup> In 2016, OMB issued guidance restating the required reporting elements for FY 2016 and

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<sup>18</sup>Generally, until the grant is closed out, the undisbursed balance remains in the grant and cannot be repurposed or canceled and returned to the Treasury. At some awarding agencies, expired grants with no undisbursed balances—referred to as “zero dollar” balances—may be assessed administrative fees. While the fees are small relative to the size of the original grant awards, they can accumulate over time. For example, NASA officials told us that they paid approximately \$6,900 in administrative fees for accounts with zero dollar balances in FY 2021. We have previously reported about the volume of expired grants with undisbursed balances and zero dollar balances, the amount of undisbursed balances and administrative fees charged, and actions taken by federal agencies to address these issues. See [GAO-16-362](#); [GAO-12-360](#); [GAO-08-432](#).

<sup>19</sup>The relevant appropriations acts have used the term “expired grant accounts.” However, according to OMB staff, the term is synonymous with “expired grant awards.” For the purposes of our report, we use the term expired grants when referring to the reporting requirements. In addition to Commerce, DOJ, NASA, and NSF, other agencies covered by the act include the Commission on Civil Rights, the Equal Employment Opportunity Commission, the International Trade Commission, the Legal Services Corporation, the Marine Mammal Commission, the Offices of Science and Technology Policy, the United States Trade Representative, the National Space Council, and the State Justice Institute, as well as any other federal entities receiving funds appropriated under the act.

<sup>20</sup>See, e.g., Pub. L. No. 117-328, div. B, tit. V, § 524, 136 Stat. 4459, 4560 (2022).

<sup>21</sup>Office of Management and Budget, *Financial and Performance Reporting Guidance on Undisbursed Balances in Expired Grant Accounts* (Washington, D.C.: October 2011); and *Financial and Performance Reporting Guidance on Undisbursed Balances in Expired Grant Accounts* (Washington, D.C.: Oct. 15, 2010).

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subsequent fiscal years if included in subsequent fiscal year's appropriation acts, until instructed otherwise.<sup>22</sup>

**The GONE Act.** In January 2016, Congress passed and the President signed into law the GONE Act to mandate government-wide reporting of expired grants for which the period of performance had elapsed for more than 2 years, including grants with undisbursed balances and zero dollar balances.<sup>23</sup> OMB issued guidance to agencies on required actions, such as providing a high-level summary table for the number of grants with zero dollar and undisbursed balances and the total amount of undisbursed balances in their FYs 2017 and 2018 AFRs or PARs.<sup>24</sup> Under the act, agencies were required to provide HHS a notice for FYs 2017 and 2018 specifying whether the agency closed out grant awards and which grant awards had not been closed out. Afterwards, HHS was required to compile the notices and submit a report to Congress on such notices. In addition, the GONE Act tasked OMB, in consultation with HHS, with submitting legislative recommendations, if any, to Congress on improving the accountability and oversight of grants management, including the timely closeout of federal grants.

**OMB Circular A-136.** In August 2017, OMB added a new section to its Circular A-136 guidance to reflect the reporting requirements for the GONE Act. Following the sunset of the GONE Act in FY 2018, OMB removed the section from its FY 2019 Circular A-136. OMB updated Circular A-136 in August 2020 to include agency reporting requirements starting in FY 2020 and thereafter for federal grant programs. These requirements are similar to those requirements from the GONE Act for FYs 2017 and 2018.

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<sup>22</sup>Office of Management and Budget, *Financial and Performance Reporting on Undisbursed Balances in Expired Grant Accounts*, M-16-18 (Washington, D.C.: July 15, 2016).

<sup>23</sup>Under the GONE Act, agency means each authority of the government of the United States whether or not it is within or subject to review by another agency, but does not include, for example, the Congress or the courts of the United States. 5 U.S.C. § 551(1).

<sup>24</sup>Office of Management and Budget, *GONE Act Reporting of Unclosed Grant and Cooperative Agreement Awards For Which the Period of Performance Has Expired More Than Two Years*, OMB-2016-04 (Washington, D.C.: Aug. 15, 2016). OMB's implementing guidance applied to agencies defined in 5 U.S.C. § 551(1) that award grants or cooperative agreements.

Table 1 below highlights selected characteristics of federal agency reporting requirements for expired grants.

**Table 1: Selected Characteristics of Federal Agency Reporting Requirements for Expired Grants**

	<b>Section 530 of the Commerce, Justice, Science, and Related Agencies Appropriations Act<sup>a</sup></b>	<b>Grants Oversight and New Efficiency (GONE) Act<sup>b</sup></b>	<b>Office of Management and Budget (OMB) Circular A-136</b>
Applies government-wide	No <sup>c</sup>	Yes <sup>d</sup>	Yes <sup>e</sup>
First year of reporting requirement	Fiscal year (FY) 2010	FY 2017	FY 2017 <sup>f</sup>
Final year of reporting requirement	Not applicable; included in annual appropriations each year through FY 2023	FY 2018	Not applicable <sup>g</sup>
Reporting mechanism	Agency Financial Report (AFR) or Performance and Accountability Report (PAR)	Reports to Congress and the Department of Health and Human Services	AFR or PAR
Information to report	(1) Details on future actions to resolve undisbursed balances, (2) method used to track undisbursed balances from expired grants, (3) identification of undisbursed balances from expired grants that may be returned to the Treasury, and (4) details on the total number of expired grants with undisbursed balances and the total amount that has not been obligated to a specific project remaining in the accounts for the preceding 3 fiscal years.	Number of expired grants with (1) undisbursed balances and (2) zero dollar balances, grouped by number of years past the period of performance end date (2-3, >3-5, and >5), and the total amount of undisbursed balances for each group.  Challenges leading to delays in grant closeout and planned corrective actions to address these challenges.  A listing of the 30 oldest expired grant awards explaining why they have not been closed out.	Number of expired grants with (1) undisbursed balances and (2) zero dollar balances, grouped by number of years past the period of performance end date (2-3, >3-5, and >5), and the total amount of undisbursed balances for each group.  Challenges preventing closeout of grants reported and actions to be taken to close grants reported.
Require Inspector General risk assessment of agency grant closeout process	No	Some; only applies to agencies that award at least \$500 million in annual grant funding	No
Report the identification of undisbursed balances from expired grants that may be returned to the Department of the Treasury	Yes	No	No

Source: GAO analysis of GONE Act, OMB Circular A-136, and Section 530 requirements of the Commerce, Justice, Science, and Related Agencies Appropriations Act. | GAO-23-105700

<sup>a</sup>For the purposes of this report, we use the term “Section 530 requirements” when referring to reporting requirements—for example, the requirement that covered agencies identify undisbursed balances in expired grant accounts that may be returned to the Treasury—contained in various years of the Commerce, Justice, Science, and Related Agencies Appropriations Act. We use this term—even though such requirements have not always been in Section 530 of each act—to reduce potential confusion since OMB’s most recent guidance from July 2016 refers to such requirements as the

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"Section 530 requirement." OMB, *Financial and Performance Reporting on Undisbursed Balances in Expired Grant Accounts*, M-16-18 (Washington, D.C.: July 15, 2016).

<sup>b</sup>Pub. L. No. 114-117, 130 Stat. 6 (2016).

<sup>c</sup>Applies to any department, agency, or instrumentality of the United States receiving funds appropriated under the Commerce, Justice, Science, and Related Agency Appropriations Act, including the Departments of Commerce and Justice, the National Aeronautics and Space Administration, and the National Science Foundation.

<sup>d</sup>Applies to agencies defined in the GONE Act under 5 U.S.C. § 551(1).

<sup>e</sup>Applies to agencies with federal grants programs.

<sup>f</sup>In addition to meeting other GONE Act requirements, agencies had to provide high-level information on the number of expired grants with undisbursed and zero dollar balances in their AFRs or PARs as required by OMB Circular A-136 in FYs 2017 and 2018.

<sup>g</sup>After the GONE Act sunset in FY 2018, OMB reinstated government-wide reporting of expired grants with undisbursed and zero dollar balances in August 2020.

Since FY 2017, agencies required to report under Section 530 must include two submissions on undisbursed balances from expired grants in their AFR. For example, both OMB Circular A-136 and Section 530 requirements require agencies to annually report the total number and amount of expired grants with undisbursed balances, using different time frames. Agencies must also include information on how they will close or resolve undisbursed balances from expired grants.

According to OMB staff, following the implementation of the GONE Act in FY 2017, OMB suggested to Congress that Section 530 be excluded from the Commerce, Justice, Science, and Related Agencies Appropriations Act. Of the two reporting requirements, OMB staff believed that OMB Circular A-136 reporting was more useful because it included more current information. OMB staff also explained that OMB Circular A-136 provided broader coverage than Section 530 because it applied government-wide to all agencies required to report under the GONE Act. However, Congress has included the Section 530 reporting requirements for FYs 2017 to 2023.



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## Selected Agencies Fully Met Some Reporting Requirements for Expired Grants, but Could Use Clearer Guidance from OMB

All of the selected agencies in our review fully met the applicable reporting requirements for expired grants for FYs 2017 and 2018 under the GONE Act and for FYs 2020 and 2021 under OMB Circular A-136.<sup>25</sup> However, we found that some of the selected agencies did not meet two of the four reporting requirements under Section 530 because some aspects of OMB's guidance were unclear. In addition, DOJ stopped reporting Section 530 information starting in FY 2019. DOJ officials said they interpreted OMB Circular A-136 as OMB instructions for complying with both government-wide and Section 530 requirements.

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## Selected Agencies Fully Met Applicable GONE Act and OMB Circular A-136 Reporting Requirements for Expired Grants

Based on our review of AFRs for the five selected agencies, we determined that the agencies fully met applicable government-wide reporting requirements for expired grants under the GONE Act and OMB Circular A-136.<sup>26</sup> These requirements included reporting (1) the number and total amount of expired grants with undisbursed and zero dollar balances that were at least 2 years past the period of performance end date, (2) challenges leading to delays in grant closeout, and (3) planned corrective actions to address challenges.

Officials from three of the five selected agencies—DOJ, HHS, and NSF—told us that the government-wide reporting requirements had some positive effects on their grant closeout efforts.

- DOJ officials said that their GONE Act report provided another dataset to review expired grants and brought more attention to closeout metrics, such as the number of grants closed or pending closeout.
- HHS officials told us that the government-wide reporting requirements highlighted the need to effectively close out grants and make improvements towards timelier grant closeout.
- NSF officials stated that the government-wide reporting requirements enhanced their existing grant closeout process by expanding NSF's

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<sup>25</sup>As previously noted, agencies that awarded federal grants in FY 2019 had no requirement to report expired grants with undisbursed and zero dollar balances in their FY 2019 AFR or PAR after the GONE Act sunset in FY 2018.

<sup>26</sup>We consider a reporting requirement to be "fully met" if the agency accurately addressed all elements of the reporting requirement.

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automated financial and administrative processes to include other types of awards.<sup>27</sup>

For more detail on what the selected agencies reported, see appendix I.

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### Selected Agencies Did Not Fully Meet Section 530 Requirements Due to Unclear OMB Guidance

Under the Section 530 requirements, OMB is required to instruct agencies to track undisbursed balances in expired grants and include other related information.<sup>28</sup> Based on our analysis, we determined that selected agencies met two of the four Section 530 requirements.<sup>29</sup> However, we found that some of them inaccurately reported information for the other two Section 530 reporting requirements because some aspects of OMB's guidance were unclear.

Specifically, one provision of Section 530 requires agencies to report various data elements across a 3-year time period. For this requirement, we found that only Commerce accurately interpreted and addressed all of the reporting elements (see fig. 3). The other three selected agencies—DOJ, NASA, and NSF—had different interpretations of OMB's Section 530 guidance for this reporting requirement.

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<sup>27</sup>According to NSF officials, NSF added Small Business Innovation Research, Small Business Technology Transfer, and Fellowship awards to its 120-day automatic financial closeout process effective November 2020.

<sup>28</sup>See e.g., Pub. L. No. 117-326, div. B, tit. V, § 524, 136 Stat. at 4560.

<sup>29</sup>Selected agencies met the Section 530 requirements on reporting (1) the details on future actions to resolve undisbursed balances, and (2) the method used to track undisbursed balances from expired grants. HHS is not required to report under Section 530. DOJ reported its future actions and methods used in its FYs 2017—2018 AFRs. As we discuss later, DOJ did not report any Section 530 information in its FYs 2019—2021 AFRs.

**Figure 3: Agencies' Compliance with Section 530 Reporting Requirement for Fiscal Years 2017—2021**



OMB Memorandum M-16-18: Financial and Performance Reporting on Undisbursed Balances in Expired Grant Accounts

I. In the preceding 3 fiscal years, provide the total number of expired grant accounts with undisbursed balances for the department, agency, or instrumentality and the total amount that has not been obligated to a specific grant or project remaining in the accounts.

OMB agency guidance

Reporting requirement	Department of Commerce	Department of Justice	National Aeronautics and Space Administration	National Science Foundation
In the preceding 3 fiscal years	✓	✓	✗	✓
Provide the total number	✓	✓	✗	✓
Of expired grant accounts	✓	✗	✓	✓
The total amount that has not been obligated to a specific grant	✓	✓	✓	✗

✓ Met requirement  
✗ Did not meet requirement

Source: GAO analysis of Section 530 requirements of the Commerce, Justice, Science, and Related Agencies Appropriations Act, OMB Memorandum M-16-18, and agency documentation. | GAO-23-105700

Note: For the purposes of this report, we use the term “Section 530 requirements” when referring to reporting requirements—for example, the requirement that covered agencies identify undisbursed balances in expired grant accounts that may be returned to the Treasury—contained in various years of the Commerce, Justice, Science, and Related Agencies Appropriations Act. We use this term, even though such requirements have not always been in Section 530 of each act, to reduce potential confusion since Office of Management and Budget’s (OMB) most recent guidance from July 2016 refers to such requirements as the “Section 530 requirement.” OMB, *Financial and Performance Reporting on Undisbursed Balances in Expired Grant Accounts*, M-16-18 (Washington, D.C.: July 15, 2016). In addition, for the Department of Justice, our analysis only covers fiscal years 2017 and 2018 because the agency stopped reporting Section 530 information starting in fiscal year 2019.

Specifically, we found that OMB’s Section 530 guidance:

- **Does not define “preceding” in “3 preceding fiscal years.”** We found that NASA interpreted “3 preceding fiscal years” as the 3 years prior to the fiscal year of the report. In other words, NASA excluded

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FY 2021 data on expired grants in its FY 2021 AFR.<sup>30</sup> OMB staff told us agencies should include the most recent fiscal year that ended September 30 in the current calendar year in their reporting of “3 preceding fiscal years.” According to OMB staff, agencies’ FY 2021 AFRs should have included reporting for FYs 2021, 2020, and 2019.

- **Does not specify how to report the count of expired grants with undisbursed balances.** We found that NASA changed its interpretation of OMB’s guidance on reporting the count of expired grants from prior years in FY 2020. Accordingly, rather than replicating prior years’ data—as it had in prior AFRs—NASA recalculated the count of expired grants from prior years in its FYs 2020 and 2021 AFRs.<sup>31</sup> OMB staff told us that NASA’s change in methodology represented a misinterpretation of the OMB guidance.
- **Does not define “expired grant accounts” as “expired grants.”** We found that DOJ reported appropriations accounts with expired budget authority instead of expired grants.<sup>32</sup> According to DOJ officials, the term “account” often refers to an appropriation and multiple grants are typically made under a single appropriation account. However, OMB staff told us that the terms “expired grant accounts” from Section 530 requirements and “expired grants” from the GONE Act and OMB Circular A-136 are synonymous—that is, an “expired grant account” would be associated with only one expired grant.
- **Does not define the “total amount that has not been obligated to a specific grant or project remaining in the accounts.”** We found that NSF reported total undisbursed balances instead of the total amount not obligated to a specific grant or project remaining in the

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<sup>30</sup>NASA’s FY 2021 data were included in its FY 2022 AFR, which was issued in mid-November 2022.

<sup>31</sup>OMB staff stated that static numbers should have been used for comparative purposes to show a net improvement. For example, NSF officials told us that they conducted an independent data pull based on a query which identifies all expired grants as of 9/30/XX, whereby XX is the year of reporting for the AFR. This is only calculated for the year of the AFR (i.e., current year) whereby the prior 2 fiscal years’ data are pulled from the prior year’s AFR and not recalculated. However, in the FY 2020 AFR, NASA updated the data reported for FYs 2017 and 2018. In the FY 2021 AFR, NASA again updated the data reported for FYs 2018 and 2019. As a result, NASA reported its FY 2018 data differently in three different AFRs (FYs 2019, 2020, and 2021). In addition, NASA officials informed us in November 2022 that they used the same methodology of recalculating the prior year’s count and amount of expired grants with undisbursed balances for their FY 2022 AFR.

<sup>32</sup>Both the relevant appropriations acts and OMB’s guidance use the term “expired grant account.” In addition, we found that DOJ only reported Section 530 information for FYs 2017 and 2018 and did not explicitly do so for FYs 2019 through 2021.

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accounts. According to NSF officials, they interpreted the term “total amount that has not been obligated to a specific grant or project remaining in the accounts” as grant dollars that have already been obligated but expired as of the last day of the fiscal year. However, OMB staff told us that this requirement is different from reporting undisbursed balances for expired grants—that is, unobligated amounts and undisbursed balances are not the same.

Another provision of Section 530 requires the identification of undisbursed balances from expired grants that may be returned to the Treasury. However, OMB’s guidance instructs agencies to report on their process for identifying undisbursed balances that may be returned to the Treasury, instead of the amount of such balances (see fig. 4). We found that only NASA reported the amount of undisbursed balances that may be canceled and returned to the Treasury as required by Section 530. The other three selected agencies—Commerce, DOJ, and NSF—reported their process to identify undisbursed balances, consistent with OMB’s guidance.<sup>33</sup>

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<sup>33</sup>DOJ reported its process to identify undisbursed balances in its FYs 2017–2018 AFRs. As we discuss later, DOJ did not report any Section 530 information in its FYs 2019–2021 AFRs.

**Figure 4: Office of Management and Budget Guidance Is Inconsistent with the Commerce, Justice, Science, and Related Agencies Appropriations Act**

Federal Law	Office of Management and Budget (OMB)
<p>129 STAT. 2330 PUBLIC LAW 114-113—DEC.18, 2015</p> <p>(1) Details on future action the department, agency, or instrumentality will take to resolve undisbursed balances in expired grant accounts.</p> <p>(2) The method that the department, agency, or instrumentality uses to track undisbursed balances in expired grant accounts.</p> <p>(3) Identification of undisbursed balances in expired grant accounts that may be returned to the Treasury of the United States.</p> <p>(4) In the preceding 3 fiscal years, details on the total number of expired grant accounts with undisbursed balances.</p> <p><b>(3) Identification of undisbursed balances in expired grant accounts that may be returned to the Treasury of the United States.</b></p> <p>SEC 531. (a) None of the funds made available by this Act may be used for the National Aeronautics and Space Administration (NASA) or the Office of Science and Technology Policy (OSTP) to develop, design, plan, promulgate, implement, or execute a bilateral policy, program, order, or contract of any kind to participate, collaborate, or coordinate bilaterally in any way with China or any Chinese-owned company unless such activities are specifically authorized by a law enacted after the date of enactment of this Act.</p> <p>(b) None of the funds made available by this Act may be used to effectuate the hosting of official Chinese visitors at facilities belonging to or utilized by NASA.</p> <p>(c) The limitations described in subsections (a) and (b) shall not apply to activities which NASA or OSTP has certified—</p> <p>(1) pose no risk of resulting in the transfer of technology, data, or other information with national security or economic security implications to China or a Chinese-owned company; and</p> <p>(2) will not involve knowing interactions with officials who have been determined by the United States to have direct involvement with violations of human rights.</p> <p>(d) Any certification made under subsection (c) shall be submitted to the Committees on Appropriations of the House of Representatives and the Senate, and the Federal Bureau of Investigation, no later than 30 days prior to the activity in question and shall include a description of the purpose of the activity, its agenda, its major participants, and its location and timing.</p> <p>SEC 532. None of the funds made available by this Act may be used to pay the salaries or expenses of personnel to deny, or fail to act on, an application for the importation of any model of shotgun if—</p> <p>(1) all other requirements of law with respect to the proposed importation are met; and</p> <p>(2) no application for the importation of such model of shotgun, in the same configuration, had been denied by the Attorney General prior to January 1, 2011, on the basis that the shotgun was not particularly suitable for or readily adaptable to sporting purposes.</p> <p>SEC 533. (a) None of the funds made available in this Act may be used to maintain or establish a computer network unless such network blocks the viewing, downloading, and exchanging of pornography.</p>	<p style="text-align: center;">   <b>EXECUTIVE OFFICE OF THE PRESIDENT</b>              OFFICE OF MANAGEMENT AND BUDGET  <small>WASHINGTON, D.C. 20503</small>              July 15, 2016              THE CONTROLLER         </p> <p><b>M-16-18</b>  <b>MEMORANDUM FOR CHIEF FINANCIAL OFFICERS AND BUDGET OFFICERS OF SELECTED AGENCIES</b></p> <p>FROM: Dave Controller <i>Dave Controller</i></p> <p>SUBJECT: Financial and Performance Reporting on Undisbursed Balances in Expired Grant Accounts</p> <p>In December 2015, Congress passed the Commerce, Justice, Science, Related Agencies Appropriations Act, 2016 (Division B of the Consolidated Appropriations Act, 2016, Pub. L. 114-113). Section 530 of such Act requires heads of the Departments of Commerce and Justice, National Aeronautics and Space Administration, and National Science Foundation (selected agencies), to report undisbursed balances in expired grant accounts in their Agency Financial Report (AFR) or Performance and Accountability Report (PAR) and performance plans/budgets for the preceding three fiscal years to the President and Congress. "Undisbursed balances" in expired grant accounts represent the unliquidated obligation amounts that remain available for expenditure on an expired grant award before it is closed out and include budget authority that is no longer available for new obligations but is still available for disbursement.</p> <p>The "Section 530" requirement was previously included in section 537 of the Commerce, Justice, Science, and Related Agencies Appropriations Act, 2010 for said selected agencies receiving appropriations under the Act to report undisbursed balances in expired grant accounts. This FY 2010 requirement was enumerated in an OMB memorandum in October 2010 from the Controller. This memorandum restates the requirement for these selected agencies to report undisbursed balances in expired grant accounts in their annual performance plan/budget and AFR/PAR each year if included in subsequent fiscal year's appropriations acts, until instructed otherwise. This memorandum does not exempt these selected agencies from complying with the requirements of the Grants Oversight and New Efficiency (GONE) Act for which implementation guidance will be issued separately.</p> <p>For FY 2016, and subsequent fiscal years thereafter, the information described below shall be included in the Other Information (OI) section of your AFR or PAR and annual performance plans/budgets with regard to undisbursed balances in expired grant accounts.</p> <p>In the preceding 3 fiscal years, provide the total number of expired grant accounts with undisbursed balances in expired grant accounts.</p> <p>The method that the department, agency, or instrumentality uses to track undisbursed balances in expired grant accounts.</p> <p><b>IV. Process for identification of undisbursed balances in expired grant accounts that may be returned to the Treasury of the United States.</b></p> <p>For questions regarding this memorandum, please contact Karen F. Lee in the Office of Federal Financial Management at (202) 395-8083 or <a href="mailto:Karen.F.Lee@omb.eop.gov">Karen.F.Lee@omb.eop.gov</a>.</p>

Office of Management and Budget shall instruct agencies to include in their reporting

The information described below shall be included in your reporting:

**IV. Process for identification of undisbursed balances in expired grant accounts that may be returned to the Treasury of the United States.**

Source: GAO analysis of Pub. L. No. 114-113, div. B, tit. V, § 530, 129 Stat. 2242, 2329 (2015) and OMB M-16-18. | GAO-23-105700

OMB staff told us that they believed the Section 530 requirement to report the amount of undisbursed balances that may be returned to the Treasury was addressed by another Section 530 requirement that requires agencies to report the "total amount that has not been obligated to a specific grant." According to OMB staff, only unobligated amounts could potentially be returned to the Treasury.

However, Section 530 requires agencies to report undisbursed balances that may be returned to the Treasury. Undisbursed balances whose underlying budget authority are canceled may be returned to the

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Treasury—once the expired grant is closed out. In other words, this subset of undisbursed balances represents the amount of undisbursed balances from expired grants that may be returned to the Treasury.

DOJ, NASA, and NSF were unaware that they failed to comply fully with Section 530 requirements. According to DOJ and NASA officials, they believed they were correctly interpreting and following the guidance and had not received any feedback suggesting otherwise.<sup>34</sup> NSF officials told us that they had not requested assistance or clarification from OMB regarding its Section 530 guidance. In addition, NSF officials said that they had not received any specific feedback from OMB on their Section 530 reporting. Clearer guidance or instructions would help ensure that agencies report accurate information. Additionally, by providing revised guidance or instructions, OMB would help increase transparency of this information for Congress and others.

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### DOJ Stopped Explicitly Reporting Section 530 Information

In FY 2019, DOJ stopped explicitly reporting Section 530 information, despite the requirement to do so. According to DOJ officials, they interpreted OMB Circular A-136 as the OMB instructions for Section 530. Thus, they stopped reporting information required by Section 530 and only reported information required by OMB Circular A-136. DOJ officials told us they annually submit a draft AFR to OMB for review and have received minor to no comments on their grants reporting, which DOJ officials believe supports their position that they have been compliant with reporting requirements. However, OMB staff confirmed that the two requirements are different. As a result, DOJ has been noncompliant with Section 530 reporting requirements since its last Section 530 submission in FY 2018 and is providing incomplete information to Congress and the public.

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<sup>34</sup>OMB staff told us they were unaware that DOJ and NASA had different interpretations of the Section 530 guidance.

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## Inspectors General at Three Agencies Identified Grant Closeout Risks and Agencies Took Steps to Address Most of Them

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### Three Inspectors General Cited Risks Related to Grant Closeout Systems and Reporting

Inspectors general at three of the agencies we reviewed—DOJ, HHS, and NSF—identified various risks that may have contributed to delayed grant closeout at their respective agencies. Consistent with our previous reporting, inspectors general identified issues such as integrating payment and grant management systems as well as late grantee submissions.<sup>35</sup> Specific findings from each agency’s Office of the Inspector General (OIG) risk assessment are described below.

**Department of Justice.** DOJ OIG found in 2018 that while the agency had made significant progress in addressing deficiencies from a prior audit in 2006, multiple risk areas remained related to (1) closeout timeliness, (2) fund management, and (3) grantee data verification.<sup>36</sup>

- For closeout timeliness, DOJ OIG found that DOJ had delayed closeouts on approximately 17 percent of its awards in the 2018 audit, compared to 87 percent in the 2006 audit. The OIG reported that the approximately 17 percent of closeouts were delayed, in part, from late grantee submissions, agency requests for additional information and clarification from grantees, award monitoring, technical issues in the award management system, and staff shortages at the agency.
- For fund management, DOJ OIG reported a backlog of 782 expired grants with undisbursed balances of about \$28.8 million in the 2018

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<sup>35</sup>[GAO-16-362](#).

<sup>36</sup>Department of Justice Office of the Inspector General, *Audit of the Department of Justice Grant Award Closeout Process*, Audit Division 18-18 (Washington, D.C.: March 2018); and *The Department of Justice’s Grant Closeout Process*, Audit Report 07-05 (Washington, D.C.: December 2006). The 2018 audit concentrated on grants that ended between October 2008 and September 2016. The 2006 audit consisted of grants that were closed from October 1997 through December 2005 as well as expired grants that had not been closed out as of December 2005.



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audit, compared to 12,814 expired grants with undisbursed balances between \$164 million and \$172 million in the 2006 audit.

- For grantee data verification—to confirm whether grantees appropriately used funds and accurately reported data—DOJ OIG identified improper expenditures. These expenditures included approximately \$762,000 in unallowable spending that went undetected by the DOJ awarding agencies because the reported data inaccurately reflected important expenditure information.<sup>37</sup>

**Department of Health and Human Services.** HHS OIG identified multiple risks in 2020 related to the systems used in HHS’s grant management process.<sup>38</sup>

- First, HHS used multiple systems that had different closeout schedules. Specifically, HHS’s payment management system closed grants quarterly while the grant management systems could close them in real-time.<sup>39</sup> As a result, the quarterly closeout of the payment management system contributed to delays in obtaining accurate grant closeout data. In addition, HHS OIG reported that the main grant management systems did not interface directly with the payment management system. HHS OIG noted that the lack of interface made it more challenging to close out grants because the payment management system is critical to the grant closeout process. Further, one office within an HHS awarding agency did not use an electronic grant management system. Rather, the office relied on manual processes that consisted of more steps and carried greater risk of delayed closeout.

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<sup>37</sup>As part of a closeout package, grantees are generally required to submit a final federal financial report, which is used by the awarding agencies to measure overall grant spending. In conducting its audit, DOJ OIG selected a sample of 118 grantees and reviewed their final federal financial reports and related accounting records. Based on this sample, DOJ OIG found unallowable spending (i.e., spending that occurred outside the objectives of the award). Examples of unallowable spending included (1) spending before or after the project period, (2) expenditures not approved by the awarding agencies, (3) spending in excess of approved budget categories, and (4) drawdowns that were not supported by the grantee’s accounting records.

<sup>38</sup>Department of Health and Human Services Office of Inspector General, *Risk Assessment of HHS Grant Closeout Procedures*, Report No. A-04-19-08072 (Washington, D.C.: March 2020).

<sup>39</sup>The payment management system disburses funds to grantees and monitors disbursements, while grant management systems handle grant applications, grants, monitoring, and program reports.

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- Second, HHS OIG noted that reconciling pooled accounts—payment management system accounts that include multiple grants—presented a pressing challenge to timely grant closeout.<sup>40</sup> However, HHS stopped allowing new pooled accounts in 2013, with some waivers granted until 2015. Therefore, the risk posed by pooled accounts was limited to grants awarded before 2015.
  - Finally, HHS OIG reported that some HHS staff had not received training on the payment management system. Thus, HHS officials had difficulty accessing and understanding the payment management system’s data and reports.

**National Science Foundation.** NSF OIG identified in 2021 that while NSF had established grant closeout processes to address the financial, administrative, and final award phases of closeout, the agency followed its processes inconsistently.<sup>41</sup> As a result, NSF experienced delays in the financial and administrative closeout phases. In addition, the final award closeout phase experienced delays due to late grantee submissions of technical reporting deliverables, even though NSF took steps to reduce delays. Finally, NSF OIG noted other risks that may have contributed to delayed grant closeout. These risks included inconsistent processes and weaknesses in NSF’s Report Tracking System and communications process.

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<sup>40</sup>Pooled accounts in the payment management system are grantee accounts that contain funds from multiple grants awarded by multiple HHS awarding agencies. When the grantee draws from the pooled account, it is not required to cite the specific grant for which the funding will be used. In addition, pooled accounts can span multiple years and become increasingly difficult to reconcile as they grow older.

<sup>41</sup>National Science Foundation Office of Inspector General, *GONE Act Risk Assessment: NSF’s Grant Closeout Process*, Report No. OIG-21-6-002 (Alexandria, VA: Mar. 23, 2021). According to NSF OIG’s review, in the financial closeout phase, most grants are automatically financially closed 120 days after the grant end date. Afterwards, the grant is removed from the list of active grants in the payment system while any remaining grant balances are deobligated. While most grants are automatically administratively closed after being financially closed, NSF will exclude certain grants from automatic closure by flagging with special attention codes. Flagged grants require manual review to ensure the special conditions have been resolved before they can be administratively closed. In the final closeout phase, once a grant has been financially and administratively closed, the grant may be placed in “Award Closed/Awaiting Reports” status until all technical reporting requirements—such as the submission of annual, final, and project outcome reports—have been met.

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Similar to NSF OIG, inspectors general at Commerce and NASA did not identify any risks in their risk assessments that would warrant an audit.<sup>42</sup> Specifically, Commerce OIG reviewed and agreed with Commerce’s FYs 2017 and 2018 GONE Act submissions. It determined that an audit of the agency’s grant closeout process was not warranted. NASA OIG did not identify any risks that would warrant an audit in its review of NASA’s FYs 2017 and 2018 GONE Act submissions, closeout procedures, and NASA’s financial systems data. However, NASA OIG noted that the majority of NASA grants that remained open more than 2 years beyond their period of performance end date were grants in which the indirect cost rate had not been finalized.<sup>43</sup>

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## Agencies Have Taken Steps to Address Risks Identified by Inspectors General

Based on our review of agency documentation and interviews with agency and OIG officials, we found that DOJ, HHS, and NSF had taken steps to address the risks identified by the inspectors general. As part of their risk assessments, inspectors general at DOJ, HHS, and NSF made recommendations or suggestions to their respective agencies to help improve the grant closeout process.<sup>44</sup> Overall, the agencies implemented 65 of the 69 recommendations and suggestions (see table 2).

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<sup>42</sup>Department of Commerce Office of Inspector General, *The Grants Oversight and New Efficiency (GONE) Act* (Mar. 31, 2020); and National Aeronautics and Space Administration Office of Inspector General, *Memorandum, Risk Assessment of NASA’s Grant Closeout Process*, ML-20-003; S-19-002-00 (Washington, D.C.: Feb. 5, 2020).

<sup>43</sup>Indirect costs represent a grantee’s general support expenses that cannot be specifically identified with an individual grant project, such as building utilities and administrative staff salaries. To determine the share of indirect costs that may be charged to federally funded grants, grantees use a mechanism called the indirect cost rate. The procedure for requesting an indirect cost rate generally involves negotiating with the awarding agency. However, grantees may use a provisional rate until agreement is reached on a new final rate. In 2016, we reported that agency officials—including NASA officials—told us negotiating an approved indirect cost rate can delay grant closeout. See [GAO-16-362](#).

<sup>44</sup>Inspectors general at Commerce and NASA did not make any recommendations or suggestions in their GONE Act risk assessments.

**Table 2: Number and Status of Inspector General Recommendations and Suggestions Related to Grant Closeout Risk Assessments by Selected Agency, as of February 2023**

Agency <sup>a</sup>	Recommendations/ Suggestions <sup>b</sup>	Number Implemented <sup>c</sup>	Number Open
Department of Justice	61	61	0
Department of Health and Human Services	5	3	2
National Science Foundation	3	1	2
<b>Subtotal</b>	<b>69</b>	<b>65</b>	<b>4</b>

Source: GAO analysis of agency and agency Office of Inspector General information. | GAO-23-105700

<sup>a</sup>Inspectors general from the other selected agencies in this report—the Department of Commerce and the National Aeronautics and Space Administration—did not include any recommendations or suggestions in their risk assessment in response to the Grants Oversight and New Efficiency Act. Pub. L. No. 114-117, 130 Stat. 6 (2016).

<sup>b</sup>Recommendations and suggestions included in grant closeout risk assessments conducted in response to the Grants Oversight and New Efficiency Act.

<sup>c</sup>In cases where inspectors general and agency officials differed in describing the implementation status of recommendations or suggestions, we report the status as indicated by the inspectors general.

DOJ OIG made 61 recommendations to DOJ’s awarding agencies to improve the grant closeout process in March 2018. As of September 2021, all 61 recommendations had been closed as implemented. According to DOJ OIG officials, DOJ updated time frames for grant reporting, began semiannual reviews to examine expired grants with undisbursed balances, and identified ways to deobligate undisbursed balances. Specifically, the awarding agencies deobligated or otherwise remedied the \$28.8 million in undisbursed balances and remedied the approximately \$762,000 in unallowable spending. In addition, DOJ’s awarding agencies reported using the 2018 audit to improve their internal closeout policies and procedures, such as updating policies to ensure that any refunded money from grantees was deobligated.

HHS OIG made five recommendations to HHS in March 2020 to address the risks to timely grant closeout. In April 2022, HHS OIG officials told us three of the recommendations had been closed as implemented. For example, HHS provided training on how to obtain and interpret payment management system reports and data. HHS officials told us in December 2022 that to improve timely access to data, they (1) made systems enhancements in FY 2022 to improve the interface between the payment

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and grant management systems, and (2) moved the payment management system from a quarterly to monthly schedule in October 2022. In February 2023, HHS officials told us that the agency had 155 pooled accounts that remained open and continued to address them.

NSF OIG made three suggestions to NSF in March 2021, to strengthen controls over each of the three phases of the agency's grant closeout process. Only one of these suggestions has been fully addressed. NSF OIG reported that NSF strengthened controls over its financial closeout phase by ensuring that the financial closeout occurs within 120 days of the grant end date for all award types. While NSF OIG did not have information about the status of the other two suggestions, NSF officials informed us that they had taken action to strengthen controls over the administrative closeout phase.<sup>45</sup> NSF officials told us they changed the frequency of the administrative closeout phase to match the financial closeout phase, reviewed awards with special reporting requirements, and updated the *Proposal and Award Policies and Procedures Guide*, which went into effect in January 2023. As of February 2023, NSF officials had not yet taken any new direct action to strengthen controls over the final award closeout phase as suggested by NSF OIG. However, NSF officials told us that, as a result of the August 2020 update to the Uniform Guidance, they are developing internal guidance for reporting awards with overdue technical progress reports.

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## Conclusions

Grant closeout is an important final point of accountability. It is necessary for the effective management of expired grants. There have been various federal reporting requirements that draw attention to the long-standing issue of awarding agencies not closing out grants in a timely manner. Our review found that selected agencies fully met government-wide reporting requirements for expired grants with undisbursed balances under the GONE Act and OMB Circular A-136. However, some of the selected agencies required to report under Section 530 reported inaccurate information because some aspects of OMB's guidance were unclear.

Effective implementation of the Section 530 requirements depends on clear instructions to agencies for how to report grant closeout information. Absent clear instructions, some of the awarding agencies in our review

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<sup>45</sup>As stated in NSF OIG's GONE Act risk assessment, NSF OIG determined an audit of NSF's closeout process was unwarranted. According to NSF OIG officials, they are not required to track NSF's progress in implementing their suggestions because the report was not an audit. In December 2022, NSF officials submitted an update to NSF OIG on the agency's progress in implementing the suggestions.

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did not fully meet reporting requirements because of how they interpreted OMB's guidance. Greater clarity on the reporting requirements would help ensure accurate reporting of expired grants with undisbursed balances. Additionally, it would increase transparency of this information for Congress and the public.

Further, although DOJ is required to report expired grants with undisbursed balances under Section 530, it stopped doing so in FY 2019. As a result, DOJ has provided incomplete information on expired grants with undisbursed balances to Congress and the public since its last submission in FY 2018.

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## Recommendations for Executive Action

We are making three recommendations, including two to OMB and one to DOJ. Specifically:

The Director of OMB should clarify the definitions of terms and methodologies to be used to meet the various reporting requirements of expired grants with undisbursed balances, if included, in the Commerce, Justice, Science, and Related Agencies Appropriations Act. (Recommendation 1)

The Director of OMB should instruct agencies to include in their reporting the identification—or dollar amount—of undisbursed balances from expired grants with canceled budget authority, if the Commerce, Justice, Science, and Related Agencies Appropriations Act requires the identification of undisbursed balances that may be returned to the Treasury. (Recommendation 2)

The Attorney General should resume reporting on undisbursed balances from expired grants in its annual Agency Financial Report or Performance and Accountability Report and annual performance plan, if such reporting is required in the Commerce, Justice, Science, and Related Agencies Appropriations Act. (Recommendation 3)

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## Agency Comments

We provided a draft of this report to Commerce, HHS, DOJ, NSF, NASA, and OMB for their review and comment. OMB did not state whether it agreed or disagreed with our recommendations. DOJ agreed with our recommendation. In addition, Commerce, DOJ, HHS, and OMB provided technical comments, which we incorporated as appropriate. NASA and NSF had no comments.

We also provided a draft of this report to the Offices of Inspector General for Commerce, HHS, DOJ, NSF, and NASA for their review and

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comment. The Offices of Inspector General for DOJ and NSF provided technical comments, which we incorporated as appropriate. The Offices of Inspector General for Commerce, HHS, and NASA had no comments.

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If you or your staff have any questions about this report, please contact me at (202) 512-6806 or [arkinj@gao.gov](mailto:arkinj@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix II.

As agreed with your offices, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the report date. At that time, we will send copies to the appropriate congressional committees, the Secretary of Commerce, Secretary of Health and Human Services, the Attorney General, the Director of the National Science Foundation, the Administrator of the National Aeronautics and Space Administration, the Director of the Office of Management and Budget, and other interested parties. In addition, the report will be available at no charge on the GAO website at <https://www.gao.gov>.

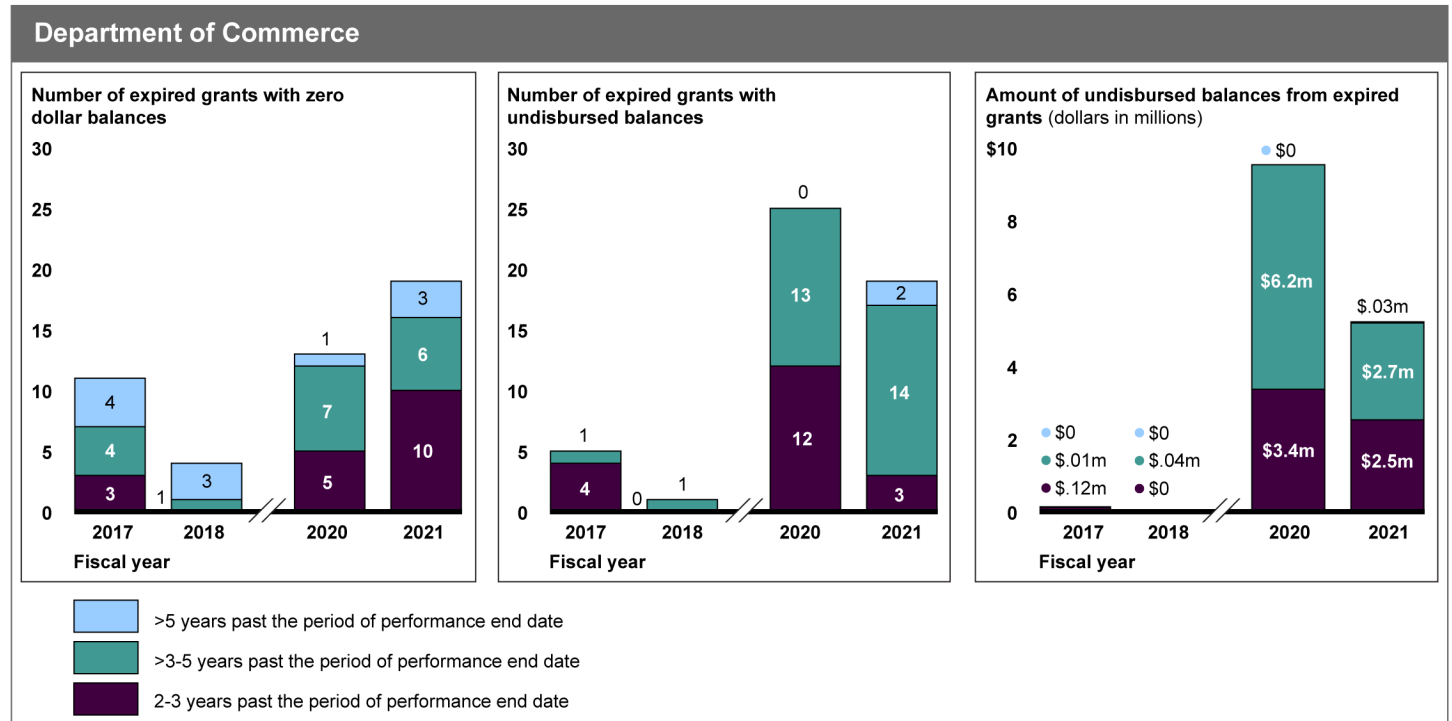
A handwritten signature in black ink, appearing to read "Jeff Arkin". The signature is fluid and cursive, with a long horizontal stroke at the end.

Jeff Arkin  
Director, Strategic Issues

# Appendix I: Selected Agencies' Status in Addressing Expired Grants with Zero Dollar and Undisbursed Balances

Figures 5 through 9 highlight the number and amount of expired grants with zero dollar and undisbursed balances by years past the period of performance end date for the Departments of Commerce, Health and Human Services (HHS), and Justice (DOJ); the National Aeronautics and Space Administration (NASA); and the National Science Foundation (NSF). The figures provide data for fiscal years (FY) 2017, 2018, 2020, and 2021.

**Figure 5: Number and Amount of Expired Grants with Zero Dollar and Undisbursed Balances by Years Past Period of Performance End Date for the Department of Commerce, Fiscal Years 2017, 2018, 2020, and 2021**



Source: GAO analysis of agency documentation. | GAO-23-105700

Note: There was no reporting requirement in fiscal year 2019.

Commerce officials stated that the increase of expired grants in FY 2020 may be attributed to new programs being initiated as a result of the CARES Act, as well as an increase in the number of awards being managed by the agency in some cases.

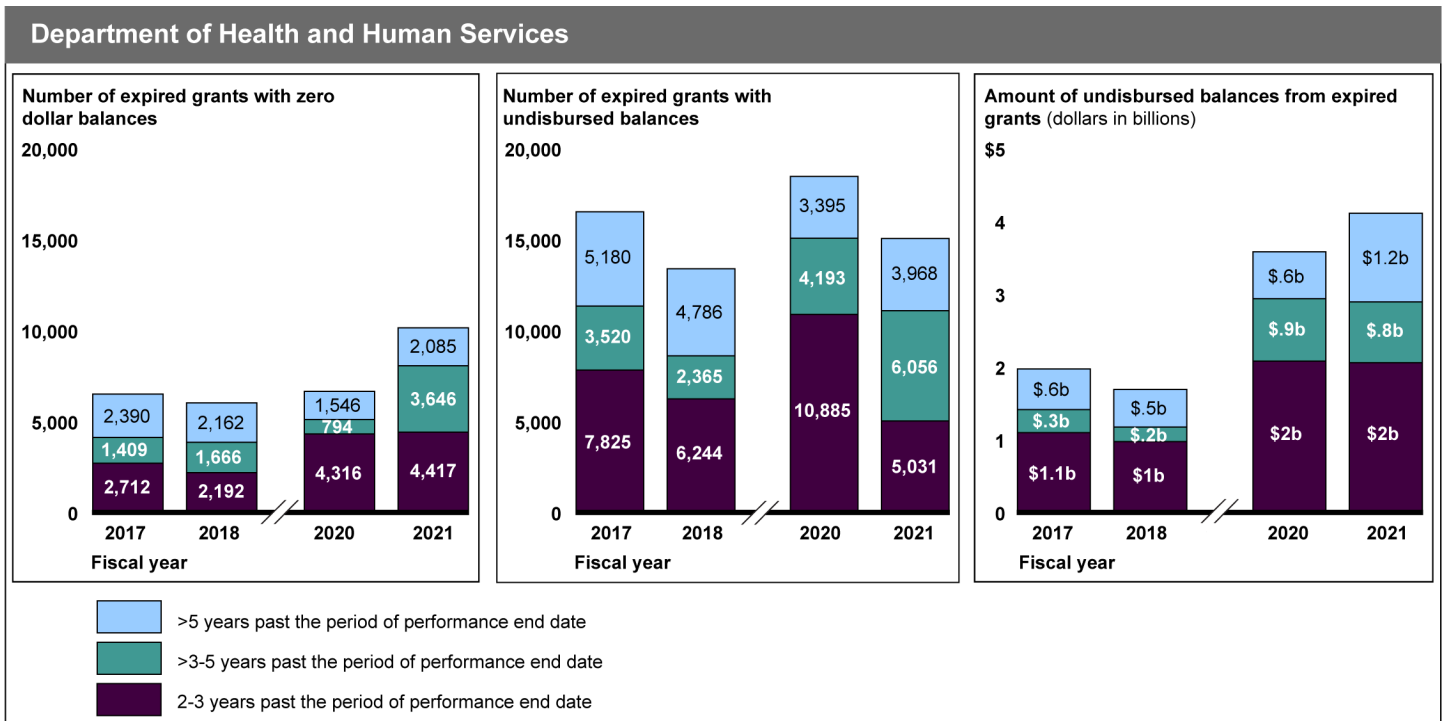


**Appendix I: Selected Agencies' Status in Addressing Expired Grants with Zero Dollar and Undisbursed Balances**

Commerce reported in its FY 2022 Agency Financial Report (AFR) that there were:

- fewer expired grants with zero dollar balances (18 in FY 2022 compared to 19 in FY 2021, or about 6 percent lower);
- more expired grants with undisbursed balances (47 in FY 2022 compared to 19 in FY 2021, or about 60 percent higher); and
- greater undisbursed balances from expired grants (\$9.5 million in FY 2022 compared to \$5.2 million in FY 2021, or about 45 percent higher).<sup>1</sup>

**Figure 6: Number and Amount of Expired Grants with Zero Dollar and Undisbursed Balances by Years Past Period of Performance End Date for the Department of Health and Human Services, Fiscal Years 2017, 2018, 2020, and 2021**



Source: GAO analysis of agency documentation. | GAO-23-105700

Note: There was no reporting requirement in fiscal year 2019.

<sup>1</sup>Department of Commerce, *Fiscal Year 2022 Agency Financial Report* (Washington, D.C.: Nov. 10, 2022).

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**Appendix I: Selected Agencies' Status in  
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HHS officials provided several reasons why there was an increase in FY 2020, including: (1) increased funding amount and number of awards for many of HHS's grant programs, (2) Office of Management and Budget COVID-19-related memorandums that provided no-cost extensions on expiring awards and extended due dates for financial and other reporting, and (3) awarding financial assistance funding under six different pandemic-related appropriations for the COVID-19 response.

HHS reported in its FY 2022 AFR that there were:

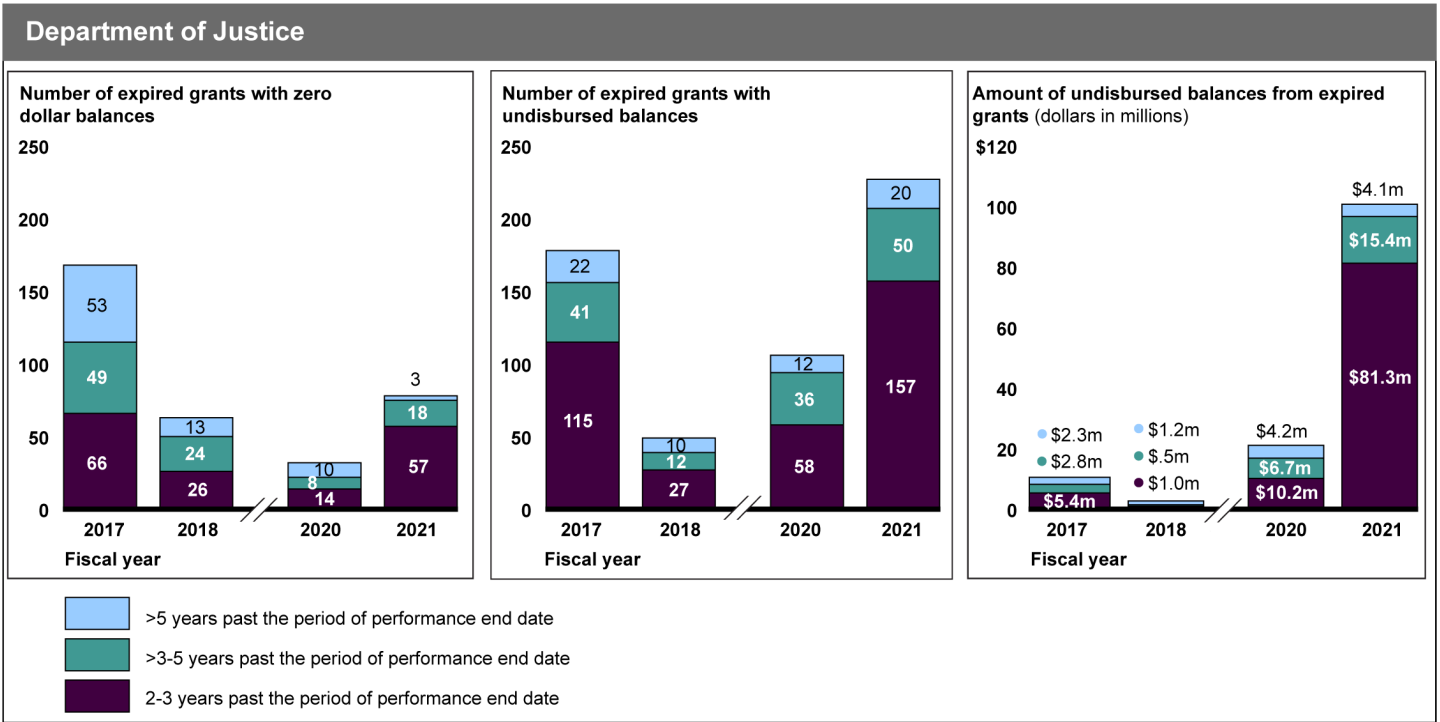
- fewer expired grants with zero dollar balances (1,571 in FY 2022 compared to 10,148 in FY 2021, or about 546 percent lower);
- fewer expired grants with undisbursed balances (7,676 in FY 2022 compared to 15,055 in FY 2021, or about 96 percent lower); and
- lower undisbursed balances from expired grants (\$3 billion in FY 2022 compared to \$4 billion in FY 2021, or about 33 percent lower).<sup>2</sup>

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<sup>2</sup>Department of Health and Human Services, *Agency Financial Report Fiscal Year 2022* (Washington, D.C.: Nov. 14, 2022).

Appendix I: Selected Agencies' Status in Addressing Expired Grants with Zero Dollar and Undisbursed Balances

Figure 7: Number and Amount of Expired Grants with Zero Dollar and Undisbursed Balances by Years Past Period of Performance End Date for the Department of Justice, Fiscal Years 2017, 2018, 2020, and 2021



Source: GAO analysis of agency documentation. | GAO-23-105700

Note: There was no reporting requirement in fiscal year 2019.

DOJ officials said that the system migration from the agency's multiple legacy grants management systems to the new JustGrants system prevented DOJ from processing closeouts from September 2020 to May 2021.<sup>3</sup> However, since May 2021, DOJ officials stated that they have continued to prioritize grant closeouts.

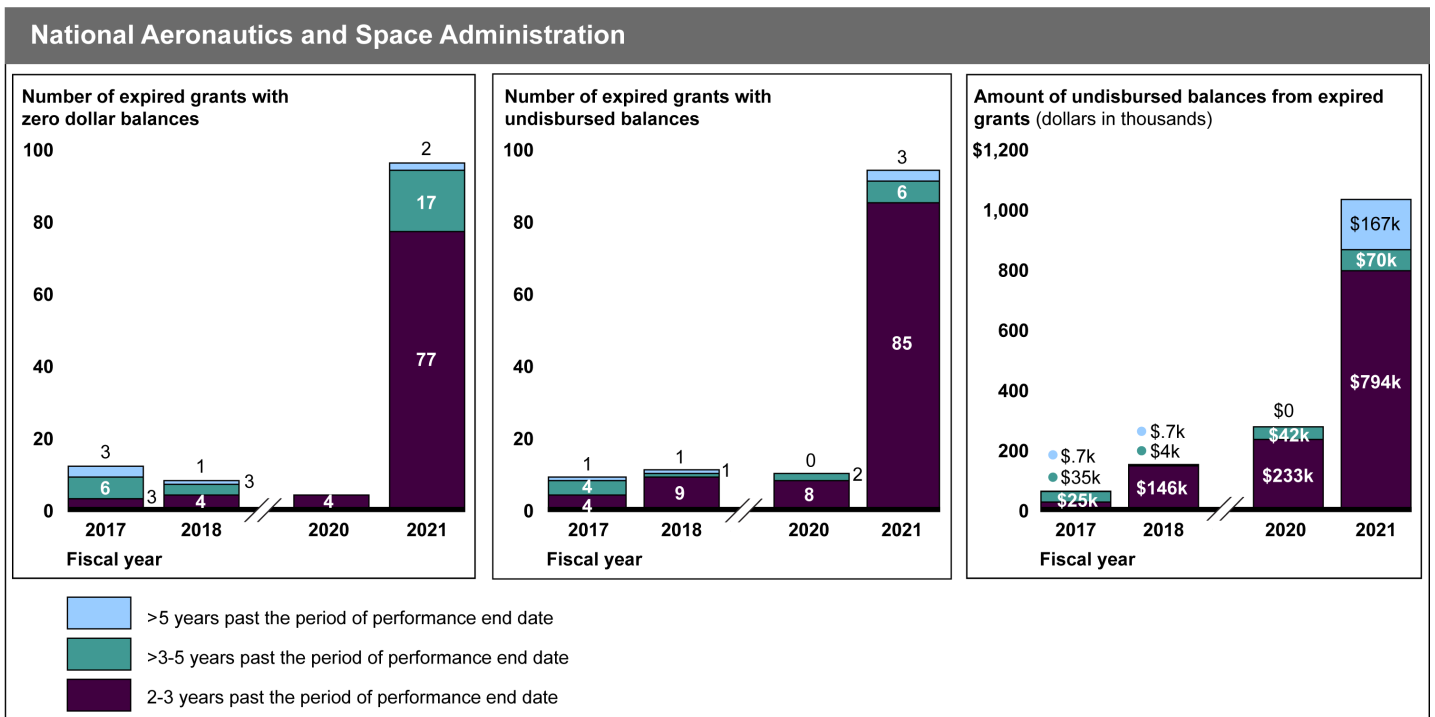
<sup>3</sup>According to DOJ officials, DOJ's JustGrants is a unified grant management system that interfaces with the Unified Financial Management System (UFMS) and Treasury's Automated Standard Application for Payments (ASAP) system. Closeouts are initiated in JustGrants and the integration of the systems automatically update UFMS and ASAP to reflect the grant's closeout status.

**Appendix I: Selected Agencies' Status in Addressing Expired Grants with Zero Dollar and Undisbursed Balances**

DOJ reported in its FY 2022 AFR that there were:

- fewer expired grants with zero dollar balances (60 in FY 2022 compared to 78 in FY 2021, or about 30 percent lower);
- more expired grants with undisbursed balances (415 in FY 2022 compared to 227 in FY 2021, or about 45 percent higher); and
- lower undisbursed balances from expired grants (\$33.4 million in FY 2022 compared to \$100.8 million in FY 2021, or about 202 percent lower).<sup>4</sup>

**Figure 8: Number and Amount of Expired Grants with Zero Dollar and Undisbursed Balances by Years Past Period of Performance End Date for the National Aeronautics and Space Administration, Fiscal Years 2017, 2018, 2020, and 2021**



Source: GAO analysis of agency documentation. | GAO-23-105700

Note: There was no reporting requirement in fiscal year 2019.

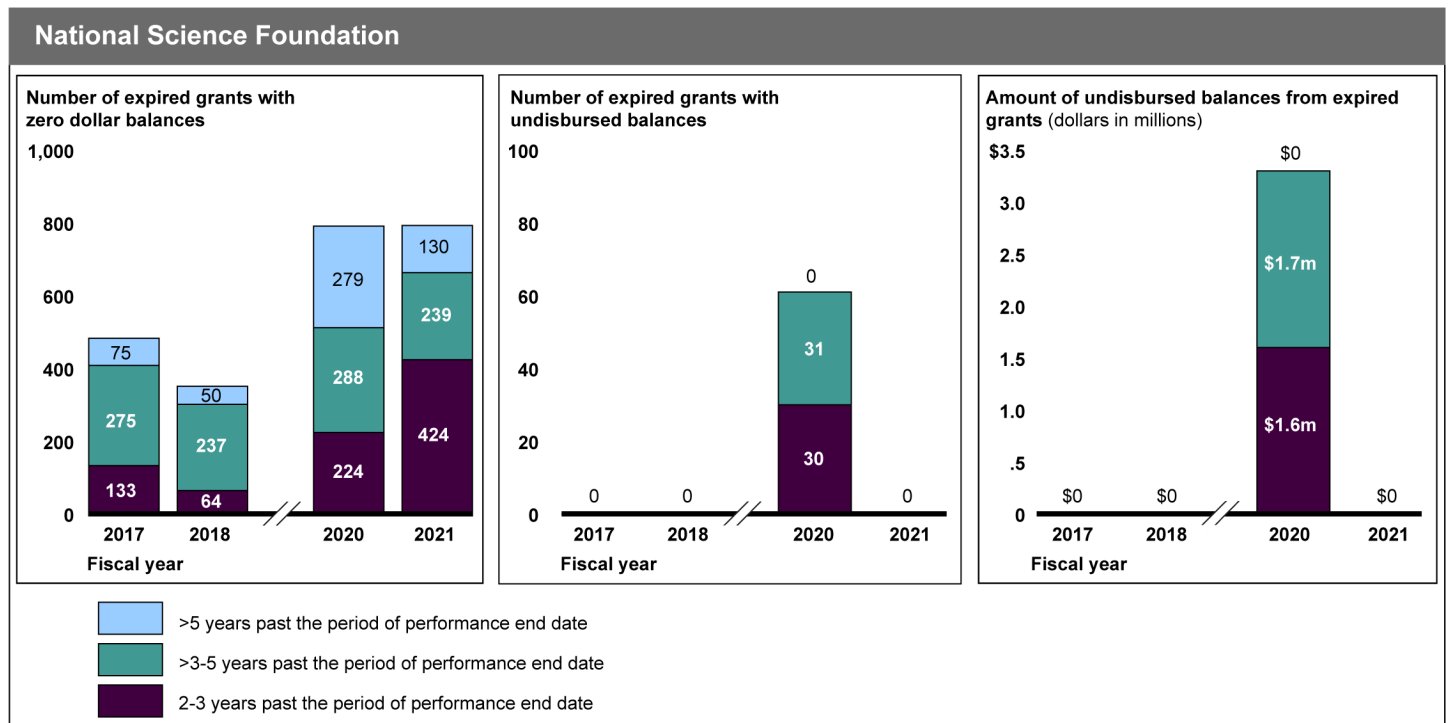
<sup>4</sup>U.S. Department of Justice, *Fiscal Year 2022 Agency Financial Report* (Washington, D.C.: Jan. 26, 2023).

**Appendix I: Selected Agencies' Status in Addressing Expired Grants with Zero Dollar and Undisbursed Balances**

NASA reported in its FY 2022 AFR that there were:

- fewer expired grants with zero dollar balances (11 in FY 2022 compared to 96 in FY 2021, or nearly 9 times lower);
- fewer expired grants with undisbursed balances (five in FY 2022 compared to 94 in FY 2021, or about 19 times lower); and
- lower undisbursed balances from expired grants (\$2,187 in FY 2022 compared to about \$1 million in FY 2021, or about 457 times lower).<sup>5</sup>

**Figure 9: Number and Amount of Expired Grants with Zero Dollar and Undisbursed Balances by Years Past Period of Performance End Date for the National Science Foundation, Fiscal Years 2017, 2018, 2020, and 2021**



Source: GAO analysis of agency documentation. | GAO-23-105700

Note: There was no reporting requirement in fiscal year 2019.

<sup>5</sup>National Aeronautics and Space Administration, *Fiscal Year 2022 Agency Financial Report* (Washington, D.C.: Nov. 15, 2022).

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**Appendix I: Selected Agencies' Status in  
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NSF officials stated that the number of expired grants that remain open may fluctuate in some instances because of the award portfolio size and overdue project reports not submitted timely by grantees.

NSF reported in its FY 2022 AFR that there were:

- fewer expired grants with zero dollar balances (683 in FY 2022 compared to 793 in FY 2021, or about 16 percent lower);
- no change in expired grants with undisbursed balances (zero in FY 2022 compared to zero in FY 2021); and
- no change in undisbursed balances from expired grants (\$0 in FY 2022 compared to \$0 in FY 2021).<sup>6</sup>

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<sup>6</sup>National Science Foundation, *Fiscal Year 2022 Agency Financial Report* (Alexandria, VA: Nov. 15, 2022).

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# Appendix II: GAO Contact and Staff Acknowledgments

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## GAO Contact

Jeff Arkin, (202) 512-6806 or [arkinj@gao.gov](mailto:arkinj@gao.gov)

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## Staff Acknowledgments

In addition to the contact named above, Thomas M. James (Assistant Director), Susan Sato (Analyst in Charge), Kimberly Bohnet, Sharon Jan, Amalia Konstas, Evalin Olson, and Robert Robinson made major contributions to this report. Also contributing to this report in their areas of expertise were Tonnyé Conner-White, James Dalkin, Heather Dunahoo, Samantha Lalisan, Kim McGatlin, Steven Putansu, Tind Shepper Ryan, Rebecca Shea, Stewart Small, and Tyler Spunaugle.

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